

# COUNTY OF YORK

## MEMORANDUM

**DATE:** November 17, 1999 (BOS Mtg. 12/1/99)  
**TO:** York County Board of Supervisors  
**FROM:** Daniel M. Stuck, County Administrator *DM*  
**SUBJECT:** Purchase of Prior Service Credit from the Virginia Retirement System  
on a Tax-Deferred Basis

The regulations which govern the administration of the Virginia Retirement System (VRS) currently allow participants to purchase credit for certain types of prior service. Examples of these types of service include time served in the armed forces and service credit lost because the employee left a VRS covered position and took a refund. VRS is offering an option for County employees to purchase such credit on a tax-deferred basis. If the Board chooses to provide this option, any employee who buys service credit will bear the full cost of the purchase; therefore, there is no additional cost to the County.

Please note that the County currently pays both the employer and employee share of the retirement cost. The language in the attached resolution allows these contributions to be "picked up" under the section of the Internal Revenue Service Code necessary to allow the purchase of the prior service credit on a tax deferred basis. It does not obligate the County to pay for any additional retirement benefits.

I recommend adoption of Resolution R99-203 to allow employees to take advantage of the tax-deferred purchase of prior service benefit.

Blanton/3691

Attachment

- Proposed Resolution R99-203

BOARD OF SUPERVISORS  
COUNTY OF YORK  
YORKTOWN, VIRGINIA

Resolution

At a regular meeting of the York County Board of Supervisors held in the Board Room, York County Finance Building, Yorktown, Virginia, on the \_\_\_\_ day of \_\_\_\_, 1999:

---

Present

Vote

Sheila S. Noll, Chairman  
James W. Funk, Vice Chairman  
Walter C. Zaremba  
Albert R. Meadows  
Jere M. Mills

---

On motion of \_\_\_\_, which carried \_\_, the following resolution was adopted:

A RESOLUTION TO AUTHORIZE THE PICK UP OF THE EMPLOYEE'S CONTRIBUTION TO VRS FOR PAST SERVICE CREDIT UNDER SECTION 414(h) OF THE INTERNAL REVENUE CODE.

WHEREAS, the County of York desires to provide its employees with tax deferral pursuant to Section 414(h) of the Internal Revenue Code with respect to their member contributions to the Virginia Retirement System, the State Police Officers Retirement System and the Judicial Retirement System (collectively referred to as VRS) for the permissible purchase of past service credit by picking up member contributions to the VRS; and

WHEREAS, the pick up is authorized under Virginia Code Sections 51.1-142.I and 51.1-143.C; and

WHEREAS, the VRS keeps track of such picked up member contributions, and is prepared to treat such contributions as employee contributions for all purposes of VRS;

NOW, THEREFORE, BE IT RESOLVED by the York County Board of Supervisors this \_\_\_\_ day of \_\_\_\_, 1999, that, effective the first pay day on or after

---

the later of December 1, 1999 or the date the member executes a binding and irrevocable salary reduction election relating to the past service permitted to be purchased, the County of York shall pick up all or a portion of the member contributions of its employees to VRS based on the terms of the salary reduction election, and such contributions shall be treated as employer contributions in determining tax treatment under the Internal Revenue Code of the United States; and

BE FURTHER RESOLVED that the binding salary reduction election to be executed by the member shall include the following: (1) the beginning and ending date of the election, (2) the amount of the salary reduction on a pay period by pay period basis, (3) the total amount of contribution expected to be involved, (4) a statement the member may not receive the contributed amounts instead of having them paid by the County of York to the VRS, and (5) an agreement that the member will not purchase the service credit through a lump sum payment during the period in which the salary reduction election is in effect; and

BE IT STILL FURTHER RESOLVED that the member may revoke the salary reduction election only in the event of an unforeseeable emergency as that phrase is used and defined in IRC Section 457 and Treasury Regulation Section 1.457-2(h)(4) and if such a revocation is made, the member may not make a new salary reduction election during this period of employment; and

BE IT STILL FURTHER RESOLVED that such contributions, although designated as member contributions, are to be made by the County of York in lieu of member contributions; and

BE IT STILL FURTHER RESOLVED that pick up member contributions shall be paid from the same source of funds as used in paying the wages to affected employees; and

BE IT STILL FURTHER RESOLVED that member contributions made by the County of York under the pick up arrangement shall be treated for all purposes other than income taxation, including but not limited to VRS benefits, in the same manner and to the same extent as member contributions made prior to the pick up arrangement; and

BE IT STILL FURTHER RESOLVED that nothing herein shall be construed so as to permit or extend an option to VRS members to receive the pick up contributions made by the County of York directly instead of having them paid to VRS; and

---

BE IT STILL FURTHER RESOLVED that notwithstanding any contractual or other provisions, the wages of each member of VRS who is an employee of the County of York shall be reduced by the amount of member contributions picked up by the County of York on behalf of such employees pursuant to the foregoing resolutions.